



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**

*Teachers' Fund for Retirement
State Investment Board*

PURCHASING SERVICE CREDIT

Active TFFR members who meet certain conditions are eligible to purchase service credit to use toward retirement eligibility and benefits.

TYPES OF SERVICE CREDIT THAT MAY BE PURCHASED

1. Refunded TFFR service credit
2. Air time
3. Government agency teaching
4. Leave of absence
5. Legislative service
6. Military service
7. Non-public teaching
8. Out-of-state teaching
9. Professional educational organization

CONDITIONS

- Member must be an active TFFR participant.
- Service credit is not eligible for purchase if the years claimed also qualify for retirement benefits from another retirement system (exception: military service).
- Member is not required to purchase total years eligible.

TFFR may accept tax deferred money by direct rollover or trustee to trustee transfer from eligible retirement plans for the purchase of service credit. Eligible retirement plans include Traditional IRAs (not Roth IRAs), and qualified 401(a), 401(k), 403(a), 403(b), and 457 plans.

ELIGIBILITY REQUIREMENTS

1. *Refunded TFFR Service Credit*

- Member must return to TFFR-covered employment.
- Cost: Amount that was refunded plus six percent interest compounded annually if the purchase is completed within five years of returning to covered employment. If the purchase is made after the five-year time allotment, the cost will be calculated on an actuarial equivalent basis.

2. *Air Time*

- Member must have five years of earned TFFR service credit.
- Air time is not related to previous teaching service.
- Member may purchase up to five years of air time.
- Cost: Actuarial equivalent.
- Verification: None.

3. *Government Agency Teaching Service*

- Member must have been employed in elementary or secondary teaching service with an agency of the United States government.
- Cost: Actuarial equivalent.
- Verification: Government agency must verify years requested and eligibility for retirement benefits.

4. *Leave of Absence*

- Member must have been on an approved unpaid leave of absence from TFFR covered employment.
- Cost: Actuarial equivalent.

- Verification: Copy of school board minutes or a letter from the employer confirming the beginning and ending dates of the leave of absence.

5. *Legislative Service*

- Member must have served in the North Dakota Legislative Assembly.
- May purchase credit lost while in attendance at legislative sessions and committee meetings.
- Cost: Actuarial equivalent OR member may enter into agreement with employer by which payment for service credit for the time spent at each legislative session is made as though the teacher was not on a leave of absence.
- Verification: Employer certifies service credit lost or arrangements are made with the employer to include legislative credit.

6. *Military Service Credit*

- Member must have an honorable discharge.
- Must be active military duty. (National Guard active duty is accepted.)
- Cost: If military service time was an "interruption of employment" with an employer covered by TFFR, the member may purchase the credit at a reduced cost under the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) or the Veterans' Reemployment Rights Act (VRRRA). If not eligible under USERRA or VRRRA, a member may purchase up to four years of military service credit using the actuarial equivalent cost calculation.
- Verification: Copy of military discharge papers (DD-214).

7. *Non-Public Teaching*

- Member must have been employed in elementary or secondary teaching service at an accredited North Dakota private or parochial school. (Non-public college teaching not allowed.)

- Cost: Actuarial equivalent.
- Verification: Non-public school and/or retirement system must verify years requested and eligibility for retirement benefits.

8. *Out-of-State Teaching*

- Member must have been employed in elementary or secondary teaching service at an accredited out-of-state public, private, or parochial school.
- Cost: Actuarial equivalent.
- Verification: Out-of-state retirement system and/or school district must verify years requested and eligibility for retirement benefits.

9. *Professional Educational Organization*

- Member must be president of a professional educational organization approved by the TFFR Board (such as NDEA) and serving in a full-time capacity in lieu of teaching.
- May purchase credit lost for time spent serving as president.
- Cost: Actuarial equivalent OR member may enter into agreement with employer by which payment for service credit for the time spent serving as president is made as though the teacher was not on a leave of absence.
- Verification: Employer certifies service credit lost or arrangements are made with the employer to include service credit.

PURCHASE OF REFUNDED TFFR SERVICE CREDIT UNDER DUAL MEMBERSHIP

- Member must be active in the ND Public Employees Retirement System, or the ND State Highway Patrolmens' Retirement System
- Repurchased years may be used for vesting and retirement eligibility in the above retirement systems.

- **Cost:** The amount that was refunded plus six percent interest compounded annually, if purchase is completed within five years of state employment. If the purchase is made after the five-year time allotment, the cost will be the actuarial equivalent.
- **Verification:** Copy of account from respective retirement system.

COST

With the exception of refunds purchased within five years of eligibility and military service under USERRA, the cost to purchase service credit is calculated on an actuarial equivalent basis. This calculation takes the following into consideration:

- Member's current and retirement age
- Member's current final average salary
- Number of years to Rule of 85 (includes years being purchased)
- Increase in benefits that will be paid as a result of purchasing additional credit
- An actuarial cost factor furnished by TFFR's actuarial consultant

PAYMENT

- A member can purchase service credit in a single lump-sum payment or under an installment agreement.
- Installment payments may be made monthly, quarterly, semiannually, or annually.
- Payments may be set up for a maximum of five years.
- Refunds repurchased at the six percent interest rate have five years from the date of eligibility to complete the installment payments. Interest of six percent is assessed on the unpaid balance.
- Actuarial equivalent cost purchases are assessed interest of eight percent on the unpaid balance.
- Your account will be credited with years purchased when payment is completed.
- The amount paid to purchase service credit becomes part of your account value and interest is earned.
- A member must complete the purchase of service credit before retirement. If you retire prior to full payment of the purchase amount, service credit will be granted in proportion to actual principal payments made.

TAXES

Interest charged on the purchase of additional service credit is not accepted by the IRS as being tax deductible since these purchases are made by choice and not by obligation. The purchase is considered to be a part of the cost of your annuity and will not be taxable to you when drawn as a benefit. *Exception: rollover funds received from eligible retirement plans.*

EMPLOYER SERVICE PURCHASE

A participating employer may purchase up to three years of service credit on behalf of a member. Employers should contact our office for additional information.

This brochure is a summary of NDCC 15-39.1-15 and 24 and is not intended to provide total information concerning purchasing service credit. More detailed information may be obtained by contacting:

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ESTIMATED ACTUARIAL COST TO PURCHASE SERVICE CREDIT

ACTUARIAL EQUIVALENT COST PER YEAR OF SERVICE						
SALARY	AGE					
	30	35	40	45	50	55
\$20,000	\$2,500	\$2,800	\$3,100	\$3,600	\$4,000	\$ 4,500
25,000	3,100	3,500	3,900	4,500	5,000	5,600
30,000	3,700	4,200	4,700	5,400	6,000	6,700
35,000	4,300	4,900	5,500	6,200	7,100	7,800
40,000	4,900	5,600	6,300	7,100	8,100	9,000
45,000	5,500	6,200	7,000	8,000	9,100	10,000
50,000	6,100	6,900	7,900	8,900	10,200	11,200

